“Arihant Superstructures Limited

Q2 & H1 FY '26-'27 Earnings Conference Call”

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MODERATOR: **MS. DEEPALI KUMARI – ARIHANT CAPITAL MARKETS LTD**

Moderator: Ladies and gentlemen, good day, and welcome to Arihant Superstructures Limited Q2 and H1 FY 26-'27 Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Deepali Kumari. Thank you, and over to you, ma'am.

Deepali Kumari: Thank you so much. Hello, and good morning to everyone. On behalf of Arihant Capital Markets Limited, I thank you all for joining the Q2 and H1 FY27 Earnings Conference Call of Arihant Superstructures Limited. Today from the management, we have with us Mr. Parth Chhajer, Joint Managing Director; and Mr. Udit Kasera, Chief Financial Officer of the company.

So, without any further delay, I will hand over the call to the management for their opening remarks. Over to you, sir.

Parth Chhajer: Good morning, everyone. Wishing you and your families Happy Dussehra and forthcoming Diwali ahead. Thank you for taking time to join Arihant Superstructures conference call to discuss results and updates for the Q2 & H1 FY27. I believe you've had the opportunity to review our financials and investor presentation, which is filed with the exchanges.

I will now request our CFO, Mr. Udit Kasera, to take you through the financial highlights for the quarter, after which I will share the key operational and business updates.

Udit Kasera: Good morning, everyone. Let me first start by briefing you on the financial highlights for the quarter under review as well as the half year ended 30th September. For this half year, our operating revenue stood at INR 265 crore, representing a growth of about 9% year-on-year. EBITDA stands at INR 56 crore with a margin of 20.97%. The profit after tax stood at INR 20.3 crore with a PAT margin of 7.68%.

The consolidated operating revenue for Q2 stood at INR133 crore, reflecting an increase of around 9% year-on-year. The EBITDA stood at INR28 crore, down by 7% year-on-year, roughly up by 1.5% with respect to last quarter. The EBITDA margin stood at 21%, PAT stood at INR10.6 crore with a PAT margin of 7.92%. The net worth of the company stood at INR475 crore, net debt at INR827 crore, and unsecured loans amounted to INR435 crore.

With this, I would like to hand over the call to Mr. Parth Chhajer to talk about key operational highlights.

Parth Chhajer: Thank you. Now moving on to the key operational highlights for the quarter. First, to explain about how we see the sector. We see that the demand has held steady over the last 1 year. Prices continue to rise in every major market, which tells us that end-user demand remains healthy. There are 2 standouts in this.

First, buyers are moving up the price ladder, and second, the supply is running ahead of absorption. On cost, the labour availability and input raw material prices stayed tight throughout the quarter. Our approach is to recover these increases through pricing on unsold inventory rather than chase volume at the cost of margin.

Now to talk about the operational highlights for the quarter. During the quarter, the company achieved sales bookings of 236 units equivalent to 2.2 lakh square feet of area amounting to INR173 crore in value. The average price per square foot stood at INR7,822 compared to INR7,500 per square foot in Q1 FY27. The average price per unit stood at INR73.15 lakhs. The collections for the quarter stood at INR154.5 crore.

And just to give a glimpse of how the H1 has shaped up in end of September 2026. The company achieved total sales bookings of 457 units equivalent to 4.52 lakh square feet of area amounting to INR345.8 crore in booking value.

The average price per square foot stood at INR7,650 per square feet in H1 FY27 compared to INR 7,500 per square feet in H1 FY26. The average price per unit sold stood at INR 75.6 lakh. The total collections for the half year stood at INR316 crore. Our inventory position remains comfortable with unsold ready inventory of around 275 units valued at INR53 crore.

Now just to update about our key project and development in that for the quarter. World Villas, as we know, at Chowk, is one of our key projects, and that's where our first hospitality platform ventures are also being undertaken. On 24th of September, we signed an agreement with ITC Hotels Limited to develop a 227-room luxury hotel, which includes 44 suites under the Mementos by ITC brand.

This will sit on a total 10-acre land parcel within the 90-acre development at World Villas. We expect that this hotel will have one of the largest banqueting facilities in the region, which will help us aim to do a destination wedding, MICE events and leisure travel.

To be more specific about the economics, the land is already ours, bought earlier, so the cost base is a fraction of what we would have had to pay if we had to do the same hotel in the city. Construction for the hotel should take about 3 years, and we expect revenues to start from FY29 onwards. It's a management contract model, so we are the owners of the property and ITC will be managing and operating the entire hotel.

Alongside with this, we are also seeing progress at our Club 10 Gymkhana's construction. We have started with the first slab. And we've already gathered more than 800-plus memberships on that front. And we have also announced a 108 key budget hotel, for which we are in talks to finalize the operator shortly.

With this now, I open the floor for question and answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Paras Chheda from Purpleone Vertex Ventures LLP.

Paras Chheda: Congratulations for a decent set of results. Sir, my question is this rising interest rate scenario across the globe and also probably within India, what is the demand outlook for this affordable and mid-income housing? Will that kind of moderate, I mean, the demand growth going forward?

Parth Chhajer: Well, costs have been down with respect to the rate of interest for the last 3 years, and we were expecting this rate hike because of the geopolitical movements that are happening across the world. And it may be spiked up more in the coming quarters as well by another 25 to 50 basis points. With respect to demand, there is good demand for affordable and mid-income housing.

However, affordability and own contributions remain a challenge for the end user, the customer, the homebuyer, so that is what will have to be looked at going forward because disposable incomes are available, but they are being utilized for other purchases and not being prioritized by the affordable class to buy the first home. People are spending a little more on their leisure and goals.

However, there has been a change in the participation on that front in the last one quarter and I think sooner or later, the demands will convert into more sales going forward, so there is a healthy demand. We see a lot of traction. There is a lot of walk-ins. There's a lot of inquiries. There is a lot of interest to buy homes for people, which will grow as the time changes in the next 1- 2 years. Mid-income segment, we've seen good healthy absorption also along with the demand. There's not been a great challenge on that.

For us, mid-income segment is anything INR50 lakhs and above up to INR1.5 crore of ticket size. That's where we've seen good volumes happening across our sites at Kharghar, Panvel and Shilphata. That segment is doing well. Obviously, the luxury segment is performing better than these 2 segments as on today, and we are having good opportunities and inventories available on that front, too.

Paras Chheda: Sir, previously, you cited data centers and GCC as demand drivers. Is there any plan for commercial data centers development or does the annuity strategy or stop at hotels and the club itself?

Parth Chhajer: Well, the land that we are currently having where we can expand beyond residential are located in the outskirts of Panvel area, so data center opportunities are limited here because the infrastructure for data center with respect to electricity and water is still not adequate. With respect to hospitality, it is adequate.

We are currently working and putting all our heads more into the hospitality segment because this location of Chowk and Khalapur is well poised for that. There is a lot of demand, very low supply and the ecosystem in and around supports the hospitality verticals in a better way compared to data centers today, so we're not ruling it out, but at the moment, it is not in our plan.

Paras Chheda: Right, sir. And sir, just last one, basically, what is the area or JV partners is under discussion in Thane, Shilphata or elsewhere? And on what sharing terms was this 2 acre Town Villas JV signed?

Parth Chhajer: Shilphata JV is 14% area sharing JV. The landowner is getting 14% area, and the balance is to us for development.

Paras Chheda: Okay. 86% is to us?

Parth Chhajer: Yes.

Moderator: The next question is from the line of Yash Somani from YES Securities.

Yash Somani: My question was the presales number went down about 27% year-on-year. And the units sold fell from 280 to 236 around and areas sold was also reduced. What drove this decline? Was it demand or fewer launches or something related to pricing?

Parth Chhajer: No, we have planned more launches in Q3 and Q4. The focus was to first work on the inventory in hand that was there available at projects which are having multiple phases. Q3 and Q4, we have lined up more launches in Panvel that will help us boost presales numbers in the coming 2 quarters.

And obviously, Q3 and Q4 tend to perform better for us as a company if you see the last 4-5 years because that's when the festive season is kicking in and the buyer movements are more in this 6 month tenure compared to the first half of the financial year.

Yash Somani: Okay. Got it, sir. My next question - raw materials rose around 22% year-on-year, and gross margin also fell about 36% to 43%. How much of this commodity inflation, can you just break down like how much of this is contracted cost or project mix related?

Parth Chhajer: These numbers reported in the P&L are due to a project mix. With respect to raw material costs, we have seen a total overall increment of 4% to 5% on the total construction cost from the last 8 to 9 months post the Asia war.

Yash Somani: Okay, sir. One more thing related to Debt. The gross debt is around INR9 billion and interest was INR 148 million. This quarter is down 13% year-on-year. What is your current blended cost of debt? And how do you expect finance costs to trend as project delivers?

Parth Chhajer: Average cost of debt today will be around 13%, and we expect that to drop down to around 12.5% by end of this financial year, so we have worked out certain deals where we have been able to reduce the cost of finance. And that's going to reflect in the numbers in the coming quarters.

Just for example, we have reduced our STCI debt and replaced with ICICI Bank. It was earlier at 11.75%. Today, it is at 8.6%, so we've been able to considerably reduce cost for certain loans that we have taken. And that will obviously reflect in the coming quarters with a decline in the rate of interest for the cost of finance.

Moderator: The next question is from the line of Khushi Solanki from Agarwal & Co.

Khushi Solanki: I wanted to ask, as the revenue was INR1,332 million, which is about 8.6% for year-on-year, what is your FY27 revenue guidance? And which project will drive revenue recognition in H2?

Parth Chhajer: We expect 20% growth on the revenue figures for this financial year. We are seeing a lot of completions. We have seen a lot of them in Q1, and some are very much near to completion, expecting OCs for a couple of big projects, 1 Tower in Arihant Aspire and Arihant Advika in Vashi by the end of the financial year.

Those 2 projects will help us push up the sales collections as well as revenues in the coming 2 quarters, so things are lined up positively and there is inventory balance, especially in the Vashi Advika project, which will help boost our revenues over the next 6 to 8 quarters.

Khushi Solanki: Okay. Sir, another question. For H1, EBITDA margin was 20.97% against 27.44% a year ago. Is above 21% not reachable or do you expect recovery? What margin should we model for FY27 and FY28?

Parth Chhajer: We should be targeting EBITDA margins upwards of 25% on a total financial year basis. Quarterly changes are due to the revenue mix and the cost incurred getting mixed up. But at a yearly level, you should be targeting EBITDA upwards of 25%.

Khushi Solanki: Okay. Sir, another question. How much cost escalation is already built into our estimate balance cost?

Parth Chhajer: We have built in all the escalations. We keep updating this figure every quarter, so as on today, whatever the costs have escalated are built in to our expenses and projected expenses going further.

Khushi Solanki: Okay. Operating cash flows turned positive after negative flows for several years, is that sustainable? And when do we expect to be consistently cash flow positive after capex on World Villas and the hotels?

Parth Chhajer: Yes. The hotel is in a different entity. And even the revenue recognition method for the Gymkhana will be different. Obviously, these 2 assets are going to be financed for their construction going forward also, but the other projects are expecting and turning to be positive with respect to cash flows in terms of operations.

The other projects will stay positive and maybe these projects will take up more financing going further because we're just starting off with the hotel work in this Q3 and you'll see good expenditures and progress on that front going further. Most of that is going to come from financing because there's no sales in the hotel project or Gymkhana project today.

Khushi Solanki: The question was about World Villas. The GDV was about INR12 billion for 391 Villas. What is the launch and the sales estimate for the same?

Parth Chhajer: Sorry, I didn't get your question. Launch and?

Khushi Solanki: For Villas, the GDV was about 12 billion for 391 Villas, right? What is the launch and the sales time line for the Villas?

Parth Chhajer: We have already started the sales and launch of Phase 1, which is about 178 villas. We have been able to sell about 60-odd Villas till date. And we are looking at this balance sales to happen over the next 2 years.

The work is already progressing very well on site and there's a lot of development happening with respect to construction of the villas as well as the infrastructure in and around, so we are seeing good expenditures happening over there and that will reflect in better pricing and more revenues going further.

Khushi Solanki: Sir, 1 more last question I wanted ask. From the hotel and the Club 10 Gymkhana, when will the annuity income start to contribute?

Parth Chhajer: From FY30 onwards the annuity income should start contributing to our P&L.

Moderator: The next question is from the line of Ritik Nagpal from Aryan Securities.

Ritik Nagpal: My first question is, in August 2025, you said you were close to signing a couple of society redevelopment project on an asset-light basis. Were any signed? And what GDV do they add if they were signed?

Parth Chhajer: Well, we are on the verge of signing. It's not signed off yet. These society redevelopments take a lot of time because the drafts, the revisions are longer since many members are involved. It's not a typical land deal that we would do for an outright or a JV/JDA model, so it's a lengthier process, takes more time. But I think by Q3, we should be able to sign off the DA.

Ritik Nagpal: Okay fair enough. Another question for me for is Town Villas. Town Villas saleable area roughly doubled when carpet area was restated as saleable area. What is the final saleable area and which approvals are pending? And how will the Q4 launch be phased regarding to that?

Parth Chhajer: With respect to Town Villas, we have had increment in land area compared to 1 year ago. 1 year ago, we were sitting on total land of around 76-odd acres, I think. And today, we are almost at 99.5 acres. That incremental land has reflected the area to go up.

Also, with respect to design, there has been some changes in the design, which has helped increase the area, the total saleable portion for the development that we'll be carrying out.

The total saleable portion is now around 58 lakh square feet of area, which approximately, will have a GDV of INR4,800 crore. Approvals are still under progress. We are seeing some movements, but the launch will get pushed up to the next financial year, so we're not looking at a launch in this financial year for Town Villas.

Ritik Nagpal: Okay. My third question is how much land parcel, I mean what's the land bank we have now?

Parth Chhajer: There's no land bank, whatever land we buy we convert it to a project. Projects which have not started or Town Villas and one more project at Panvel. These are 2 projects which are yet to start in our portfolio. Rest everything has started off and will be developed in phase-wise manner.

99.5 acres at Chowk for Town Villas and another 7-8 acres at Panvel. That's the land bank we have, which has not started yet. And as a company, the total land that we are working on today is at 320 acres.

Ritik Nagpal: Okay. Fair enough. My last question is what is the status of Jodhpur portfolio?

Parth Chhajer: Jodhpur is a steady market, steady portfolio. We're seeing steady sales happening in that project, and land is already acquired, approvals are already in place. Our strategy is to develop 1 building at a time and take it forward in that way. We don't want to put in a lot of capex now.

It's totally sell-and-build model. As much as the inventory is sold, we'll develop that much and then move on to more buildings, so there is inventory available. We've just completed the clubhouse. The response at Arihant Anchal is happening in a positive way now since the clubhouse is ready. I think that will help us do a little more better sales and increase more momentum with respect to velocity going ahead.

Moderator: Thank you very much. As there are no further questions, I would now like to hand the conference over to management for closing comments.

Parth Chhajer: Yes. Thank you, everyone, for taking time to join us for this call. We invite you all to visit our site, see the developments that we are carrying out, especially the Villa development. It's something new and fresh that has come up to the market and something that will have a long gestation with respect to an asset class going further in the City of MMR.

For any further questions, please feel free to reach out to our Investor Relations at Dentsu or you can contact our finance team as well. Wishing you all a very happy Diwali and happy Dussehra and have a prosperous new year. Thank you.

Moderator: Thank you very much. On behalf of Arihant Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

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